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South Dakota
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Deferred-Payment, Delayed-Pricing, & Other Voluntary Credit Sale Contracts



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What is a Voluntary Credit Sale (VCS) contract?

A VCS contract is defined by SDCL 49-45-1.1 (5) as “a sale of grain or seeds pursuant to which the sale price is to be paid more than thirty days after the delivery or release of the grain for sale, including those contracts commonly referred to as deferred-payment contracts, deferred-pricing contracts and price-later contracts.” SDCL 49-45-11 also states that VCS contracts shall be in writing.

What types of VCS contracts are commonly used?

Deferred-Payment, Delayed-Pricing, Minimum-Price, Hedge to Arrive, Basis Fixed Price, Installment Sales, and Futures Fixed Price are the most common contracts. Various names may be used for these contracts but the above mentioned are the most common. There may also be additional contracts that are being used.

Why use a VCS contract?

Producers often use these contracts for income tax purposes (Deferred-Payment, Installment Sales) or to gamble on a market change (Minimum-Price, Delayed-Pricing, Futures-Fixed-Price, Basis-Fixed-Price). The **buyer** uses a VCS contract because the title to the grain passes to the buyer upon delivery and the buyer is able to ship out the grain, freeing up valuable storage space.

Are there any risks involved with VCS contracts?

As with any contract there are always potential risks that could occur. However, the largest concern of the South Dakota Public Utilities Commission (PUC) is the risk of the grain dealer not performing on the contract. If this happens the producer could lose the entire amount of grain that was sold. The reason for this is the fact that VCS contracts are **not** protected by the South Dakota statutory bond coverages. The producer by entering into these contracts becomes an unsecured creditor and if there are any secured creditors they will receive payment in full before any of the unsecured creditors are paid. The PUC doesn't have jurisdiction for VCS contracts.

Protect yourself

- Make sure you are dealing with a reputable local grain dealer who is licensed with the South Dakota PUC. If you are unsure if they are licensed you can contact the PUC at 1-800-332-1782 or visit the PUC's web site at www.state.sd.us/puc/T-WDivision/Warehouse.htm
- Demand payment upon the sale of the grain.
- If you decide to use a VCS contract:
 1. Make sure the contract is in writing and that you understand all the terms.
 2. Know the settlement date and do not let it extend beyond one year.
 3. Check for service charges.
 4. Make sure required signatures are included.
 5. The following statement must be included immediately above the sellers signature line:
“This Contract Is Not Protected By South Dakota Statutory Bond Coverages.”
- Never make a verbal agreement. Written documentation is your best evidence with disputed matters.
- Keep copies of all documents.
 - scale tickets
 - weigh slips
 - warehouse receipts
 - settlement sheets